

Message Text

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PAGE 01 KUWAIT 02632 240731Z

12

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-14 ISO-00 FEA-02

AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01

PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00

PA-04 PRS-01 USIA-15 DRC-01 IO-14 /239 W

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R 240637Z JUN 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0054

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

MEMBASSY CARACAS 0115

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT POUCH

USMISSION OECD PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

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EO 11652: NA

TAGS: ENRG, OPEC, KU

SUBJ: KUWAITI IMPLEMENTATION OF OPEC TAX DECISION

1. KUWAIT PLANS IMPLEMENT OPEC TAX INCREASE BY RAISING ROYALTY
FROM 12.5 PERCENT TO 14.5 PERCENT. GIVEN GOK SIXTY PERCENT
PARTICIPATION IN KUWAIT OIL COMPANY, TAX INCREASE WILL ONLY RPT
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PAGE 02 KUWAIT 02632 240731Z

ONLY APPLY TO FORTY PERCENT GULF/BP PORTION KOC PRODUCTION.

2. ACCORDING KOC OFFICIAL, RATIONALE BEHIND APPLYING INCREASE TO ROYALTIES IS THAT ROYALTY INCREASE CANNOT BE PASSED ON AUTOMATICALLY TO CUSTOMERS AS CAN TAX INCREASE. THUS, SO GOES THE REASONING, THE INCREASED COSTS WILL HAVE TO BE BORNE BY THE COMPANIES AND NOT THE CONSUMERS, ESPECIALLY IF CONSUMING COUNTRIES ASSURE THAT COMPANIES ARE NOT ALLOWED TO PASS ON THE INCREASE.

3. FLAW IN THIS ARGUMENT, OF COURSE, IS THAT AUTOMATIC ESCALATOR CLAUSES VARY IN DIFFERENT COMPANY/CUSTOMER CONTRACTS. IF ESCALATOR CLAUSE IS TRIGGERED BY INCREASE IN "GOVERNMENT TAKE", AS WE UNDERSTAND IS THE CASE IN MANY CONTRACTS, THEN THIS INCREASE WILL INDEED BE PASSED ON.
MCCLELLAND

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 24 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
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Executive Order: N/A
Errors: N/A
Film Number: D740165-0175
From: KUWAIT
Handling Restrictions: n/a
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ISecure: 1
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Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

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Review Withdrawn Fields: n/a
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TAGS: ENRG, KU, OPEC
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Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005